

AN ANALYTICAL STUDY ON IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT IN RETAIL SECTOR

FIFFY JOSEPH*

Abstract

With the entry of multiple corporate groups in the Indian retail sector over years, the retailing business has become fiercely competitive and dynamic. It has thrown a serious challenges to the managers of organized retail sector to retain their existing customers and develop loyalty. The big organised retailers were able to attract thousands of shoppers everyday but unable to identify their regular customers and retain them, especially profitable ones. To meet these challenges, most of the organised retailers implemented Customer Relationship Management (CRM) under which they adopted multiple customer relationship building practices focusing aggressively on creating and strengthening long-term relationships with their customers. The process of developing a cooperative and collaborative relationship between the buyer and seller is called customer relationship management shortly called CRM. This is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth.

The study made an attempt to analyse the impact of Customer Relationship management in Retail Sector with the help of secondary data. Through the study it was found that Customer relationship management has a certain impact on the profitability of the retail industries by customization of the product, maintaining interaction with the customers regularly and providing good quality product etc.

Keywords: Customer; Organised retailers; Customer retention; Customisation;

*** Rajagiri School of Commerce, Rajagiri College of Social Sciences (Autonomous), Kalamassery, Ernakulam, Kerala.**

1. Introduction

Being social animals, we are naturally inclined towards interaction. The bonding that takes place when we communicate in a healthy manner paves smooth ways for many difficult challenges. In the role of customers, we interact with salespersons, dealers, wholesalers, and suppliers. The CRM (customer relationship management) is an integrated effort to strengthen the network of relationship for the mutual benefit of both the parties. The biggest management challenge in the new millennium of liberalization and globalization for a business is to maintain good relationship with the king – the customer.

Today's customers are empowered. Empowered customers are those having the control to buy goods or services from a business when and where they want it, by selecting from a vast range of available choice. Empowered customers access the Internet and collect information about products, dealers, and prices. They take advice from friends or at times from strangers too, before making a buying decision.

Retailing is the business activity that involves selling products or services for their non-commercial, individual or family use. Normally, retailing is the final stage of the distribution process.

CRM in retailing aids to increase efficiency, serves to aid the sales unit in all of its efforts, manages to boost sales, and fundamentally contributes to the overall development of the business. It also manages to work towards organizational goals. This is achieved through a concise study of potential customers.

In Indian retailing sector, CRM has become popular with the emergence of corporate backed big retail formats like chain of supermarkets, hypermarkets, department stores etc. Modern retailers like Big Bazaar, Shoppers Stop, and Globus etc. have adopted multiple practices to build and strengthen customer-firm relationships.

For years, marketers adopted traditional marketing approach to attract more and more new customers without much effort to retain them, leading to high customer. Organisations could continue with this till there were abundant supply of new customers in market. But the highly

competitive and dynamic business environment of 21st century with shrinking number of customers has forced the managers to shift the focus from acquisition/transaction to retention/relationship because many studies found the considerable importance of retaining the existing customers and developing.

2. Review of Literature

CRM gained prominence in early 90s and received considerable attention from experts in both academics and businesses. Since then it has been implemented in business organisations for building long term customer relationships. Kotler & Armstrong (2007) viewed CRM as the most important concept of modern management and defined it as “the overall process of building and maintaining profitable customer relationships by providing superior value and satisfaction. Many studies have also suggested the retailers to first focus on satisfaction and other retail basics to initiate a relationship before implementing advanced CRM systems.

Ramanakumar, KPV (2008) writes about the Customer Relationship Management or Relationship Marketing. He refers to all marketing activities directed towards establishing, developing and maintaining relational exchanges successfully.

According to V. Ramanathan (2008), Customer Relationship Management is an emerging tool that enables retail marketers to maintain their presence in the dynamic market environment. In early days CRM was the tool preferred by the manufacturers in order to motivate and retain retailers. Now retailers are applying this very same tool in order to retain customers.

Based on the results of a study conducted by the IBM Institute for Business Value, Chu (2002) suggested that before retailers begin to address more-advanced CRM capabilities such as personalization and data mining, they should consider whether they have adequately addressed retail basics. Similarly Kotler & Armstrong (2007) highlighted value and satisfaction as the key building blocks of CRM.

Peelen (2011) emphasised on the four key relationship components: Customer knowledge, Relationship strategy, Communication, and Customisation for the success of CRM strategy.

Levy & Weitz (2005, pp. 348-355) mentioned different CRM programs – Loyalty programs, Special customer service, Personalization, Community building and Cross-selling/ Up-selling- for customer retention and loyalty.

3. Objectives of the study

- To analyse the practices adopted by the retail sector to retain profitable customers
- To analyse the factors affecting the CRM practices
- To study the importance of CRM in retail sector

4. Methodology of the study

The study is descriptive in nature. Secondary data is used for the study. Many research articles, websites, reference books, newspaper reports etc. were used for the study. Researcher also used his personnel observations and perceptions for the study.

5. Analysis and discussions

Customer relationship management in retail can increase customer satisfaction, reduce costs and improve company's performance in the marketplace. CRM software manages relationships with individual customers to create advantages for both parties. To select the appropriate software and ensure it includes the features needed, one has to know how CRM works and what affects it has on retail operations.

- **Segmentation**

CRM helps to gather information about each of customers, including preferences and demographic data. Such information can be used to segment the market and customize the approach to each group of customers. For example, if you find you have a large number of young families in a segment, you can create a family-friendly retail environment. If your data shows you have many seniors, you can install ramps for wheelchairs and make your store more easily accessible. The effect of segmentation based on CRM data is to adjust retail strategies to better suit the customers.

- **Promotions**

The data once gather within a CRM system let not only target a market segment with promotions that appeal to its members, but also to target individual customers. For example, when you know that a customer is reaching retirement age, you can promote appropriate hobby products to him. If you see that a customer has visited your website and looked at particular products, you can include promotions of those products in his mailings. In this way CRM reduces promotions that are of no interest to the recipient and increases the relevance of material send out.

- **Purchases**

A CRM system keeps records of customer purchases and customer service calls. One can keep track of the products each customer has purchased and whether there have been any warranty or dissatisfaction issues with the purchase. This information allows to send out special offers to customers when the products they have purchased reach the end of their lives. Such a strategy keeps products in front of the customer just when he might need them and gives him the benefit of lower pricing if he buys again. For a retailer, the costs of such a targeted promotion are lower than marketing to a large group and receiving only a few responses.

- **Retention**

The overall effect of CRM is to increase the retention of customers by serving them in a more focused and convenient way. One can further increase this effect by using the CRM software to implement customer loyalty programs. Since the applications already track purchases, retailer can issue reward points and bonuses to keep valuable customers. Such programs let the retailers further reduce costs because sales to long term customers are less expensive than sales to new customers

There are various practices adopted by the retail marketers in order to retain profitable customers through CRM. Meeting and satisfying each customer's need uniquely and individually. In the mass markets individualized information on customers is now possible at low costs due to the rapid development in the information technology and due to availability of scalable data warehouses and data mining products. By using online information and databases on individual customer interactions, marketers aim to fulfill the unique needs of each mass market customer.

Information on individual customers is utilized to develop frequency marketing, interactive marketing and aftermarketing programs in order to develop relationship with high-yielding customers.

In the retail business, CRM plays a vital role because,

- Retailers can generate maximum sales by repetitive purchase of loyal customer.
- Retailers can ensure customer satisfaction which then leads to positive word of mouth communication and thus retailer reputation and new customer base increase.
- By applying CRM concept retailer can protect customer in competition
- Greater sale ensure maximum profit level

6. Conclusion

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success.

From the analysis it was found that the retail business adopted various practises in order to retain not only the profitable customers but also to attract the new cusatomers. Customers are encouraged to give suggestions and complaints and that helps the company to improve its working and services. If the customer's complaints are not resolved the customers will be dissatisfied and the company may lose its customers. Different customers have different requirements. So the company customize its product accordingly to satisfy the customers. It also gives more choice to the customer

In today's commercial world, practice of dealing with existing customers and thriving business by getting more customers into loop is predominant and is mere a dilemma. Installing a CRM system can definitely improve the situation and help in challenging the new ways of marketing and business in an efficient manner. Hence in the era of business every organization should be recommended to have a full-fledged CRM system to cope up with all the business needs. Customer relationships are achieved by the retailer working together to give customers

what they really want. CRM is a business strategy to create and sustain long-term, profitable customer relationships. By ensuring effective CRM process in retail store a retailer not only benefitted by greater sales and profitability but also can build a strong store image relative to competitor. Customer relationship management has a certain impact on the profitability of the retail industries by customization of the product, maintaining interaction with the customers regularly and providing good quality product etc.

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